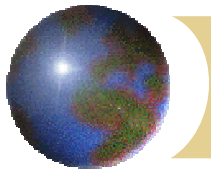# *Electronic Benefit Transfer*
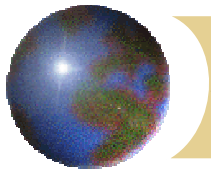
The Modern Benefit Delivery System
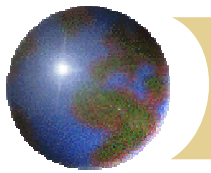
By

Lizbeth Silbermann

Modernizing Benefit Delivery

- Food Stamp Program overview
- EBT in the Food Stamp Program
- How EBT works

Program Scope

- 19.1 million people per month
- $20.5 billion
- $ 4.8 billion in administrative costs
- 145,000 licensed stores
- 1,500 National staff

- $80 per month per person
- $186 per household

Program Characteristics

- National uniform rules for eligibility and benefit determination

- Joint National-State administration
  - National funded benefits
  - National rules
  - State run local operations
  - Administrative costs split 50-50
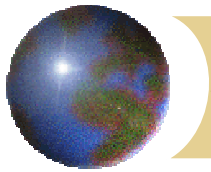
Benefits Issued Monthly

- **Households can buy:**
  - Foods for home preparation and consumption
  - Seeds and plants that produce food for the household to eat

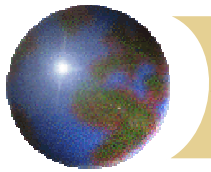- **Households cannot buy:**
  - Alcoholic beverages or tobacco
  - Non-food items such as pet foods, soaps, paper products, household supplies
  - Vitamins and medications
  - Food that will be eaten in store
  - Hot foods
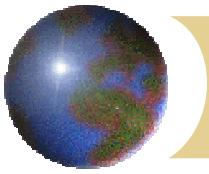
**Food Stamps cannot be exchanged for cash**
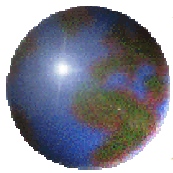
A Paper World

How the Paper World Worked

- Coupons printed and assembled into books
- Books shipped to states for issuance
- Books issued to recipients
- Coupons torn out and used at stores
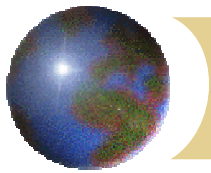- Coupons redeemed through banking system like checks/money
- Coupons destroyed

Issues

- Cost
- Logistics
- Float
- Accountability
- Administration

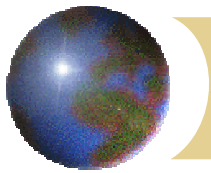- Stigma
- Cash Change
- Trafficking/Fraud

- SOLUTION?
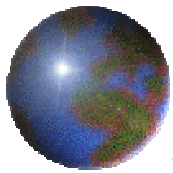
EBT

Technology Requirements
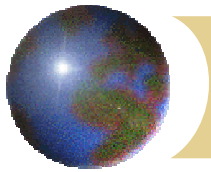
- Comparable to Debit Card Platform
- May include one or more technologies:
  - Integrated Circuit Chips
  - Magnetic Stripes
  - Anti-Counterfeiting
- Interoperability
- Performance
- Security

Technology Requirements

Exceptions

- Targeted Benefit
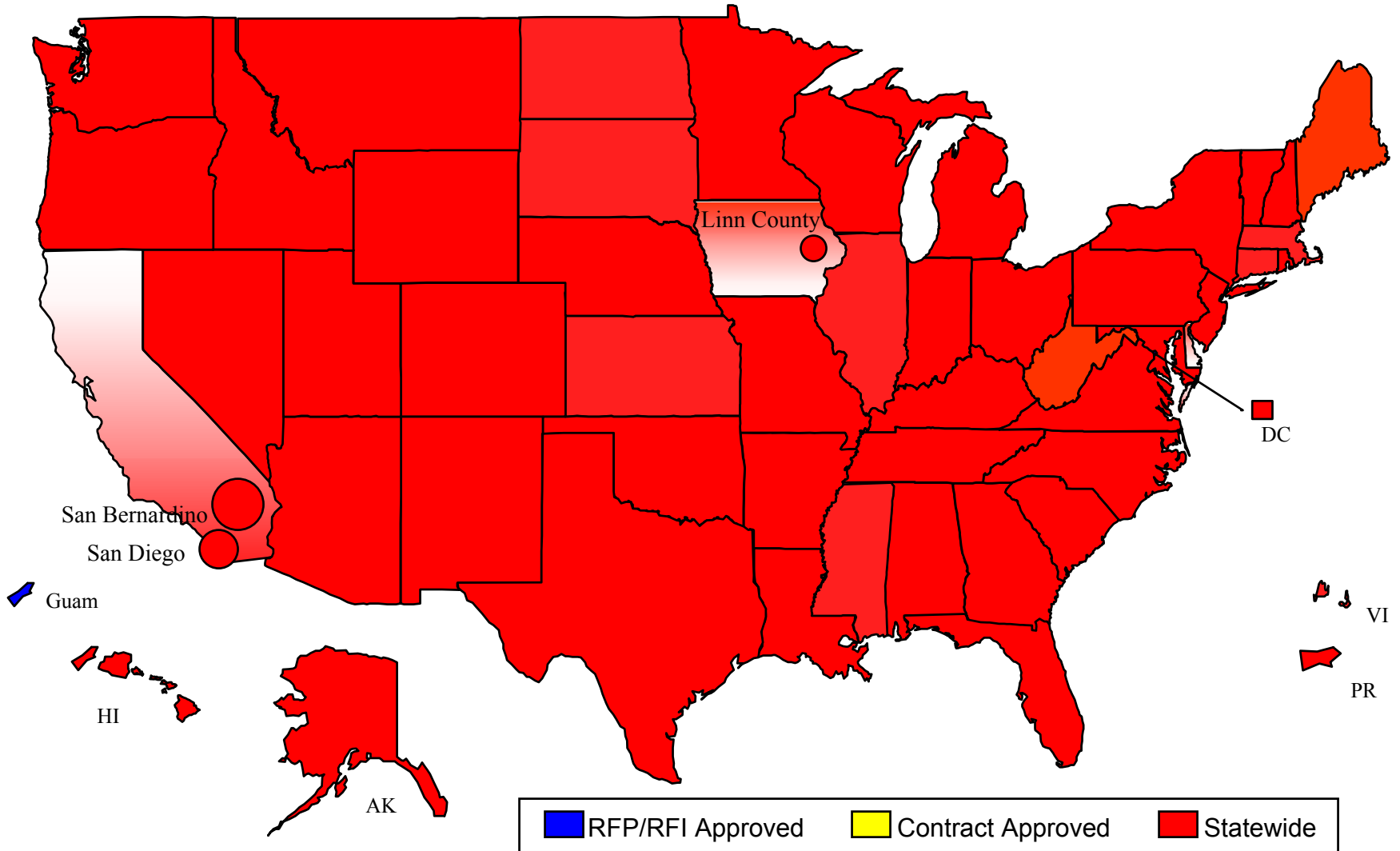- Funds Movement at Point of Redemption
- Additional Reporting Requirements

EBT Milestones

- Early demonstrations (1984-1992)

- FSP Regulations published (1992)

- Personal Responsibility and Work Opportunity Reconciliation Act passed—mandated EBT (1996)
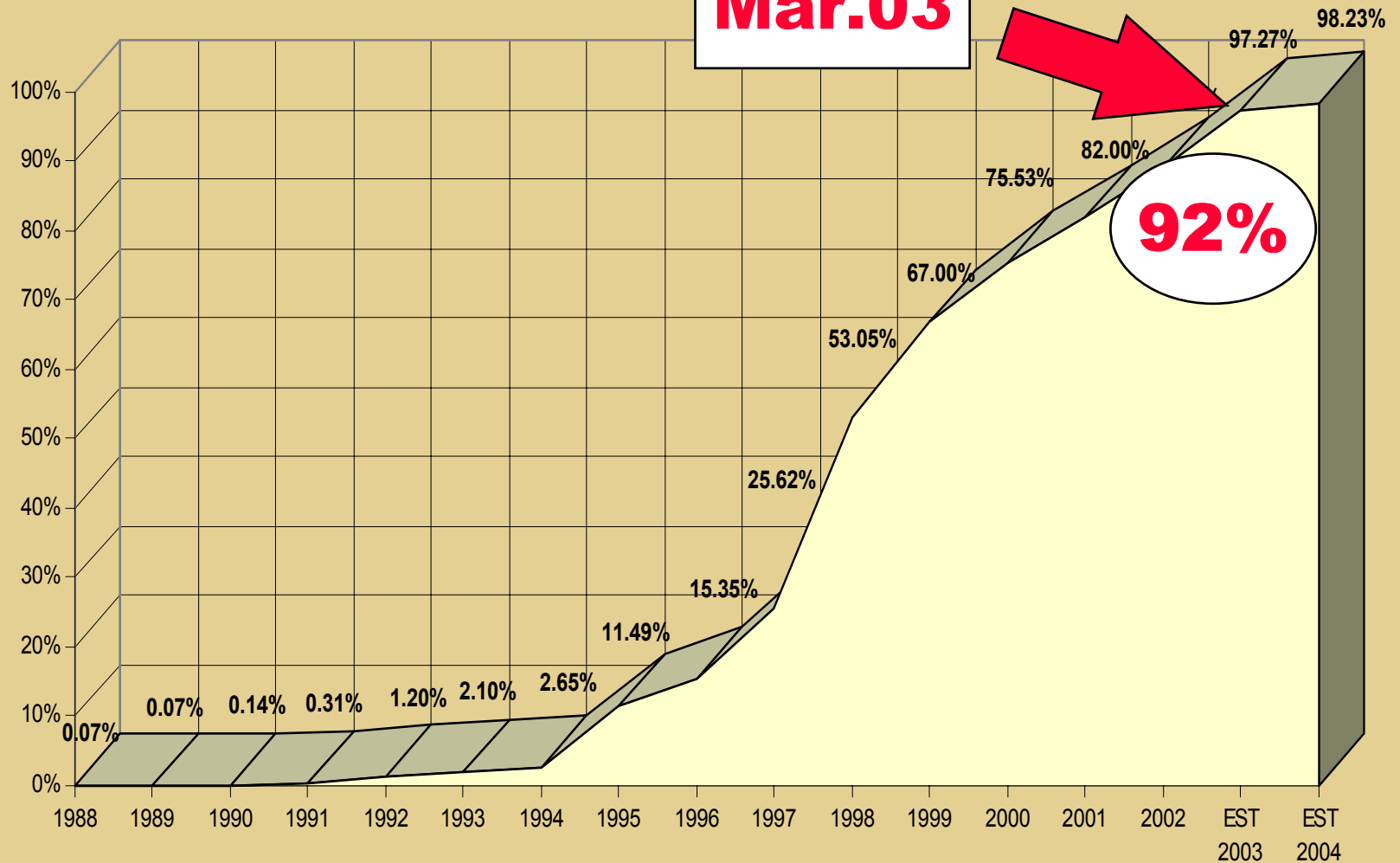
FSP EBT- June 2003
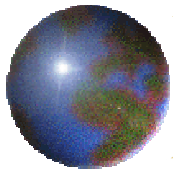
52 Operating, 48 Statewide*

Linn County

San Bernardino

San Diego

Guam

HI

AK

DC

VI

PR

| RFP/RFI Approved | Contract Approved | Statewide |

Note: Shaded red indicates partial State conversion.
*Count includes Puerto Rico

EBT as Percent of Total FSP Redemptions

Mar.03

92%

98.23%
97.27%
82.00%
75.53%
67.00%
53.05%
25.62%
15.35%
11.49%
2.65%
2.10%
1.20%
0.31%
0.14%
0.07%
0.07%

1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 EST 2003 EST 2004

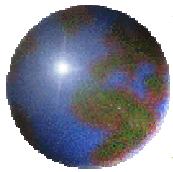# *Advantages of EBT*

- Less Stigma for Recipients
- Greater Security for Recipients
- Fast Payment to Retailers
- Better Financial Management for FNS
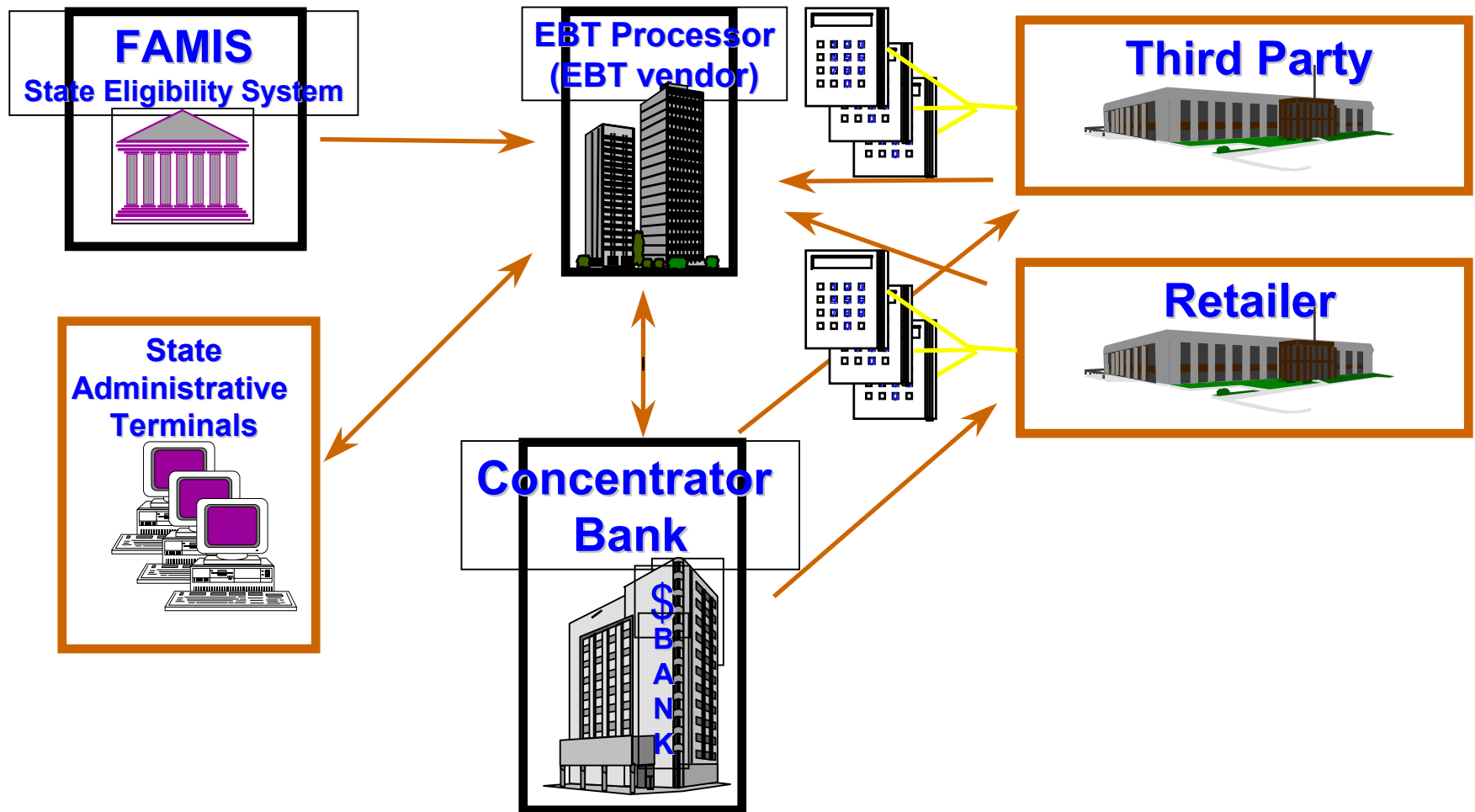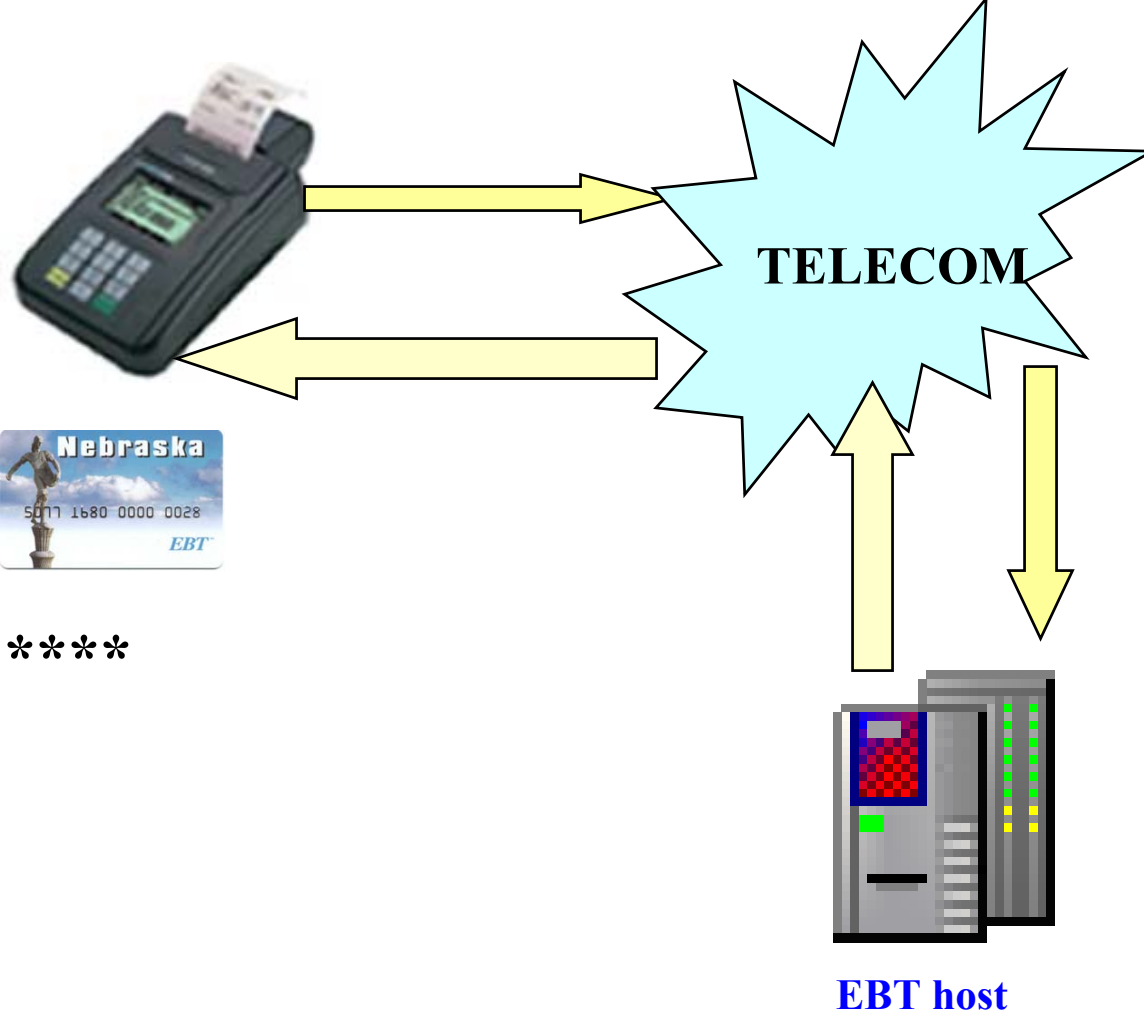- Reduced Fraud
- Better Fraud Detection Tools
- Reduced Cost

EBT Components

- Account Setup & Benefit Authorization
- Card Issuance and Training
- Recipient Account Maintenance
- Transaction Processing
- Customer Service
- Retailer Participation
- EBT Settlement and Reporting
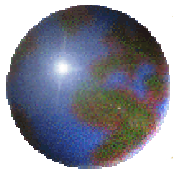
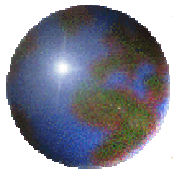# EBT Infrastructure

TELECOM

EBT host

****

Store FNS #

Card PAN

Card status

PIN (encrypted)

Benefit type

Balance

EBT Programs

- Food Stamps
- TANF
- Child Care
- Employment & Training
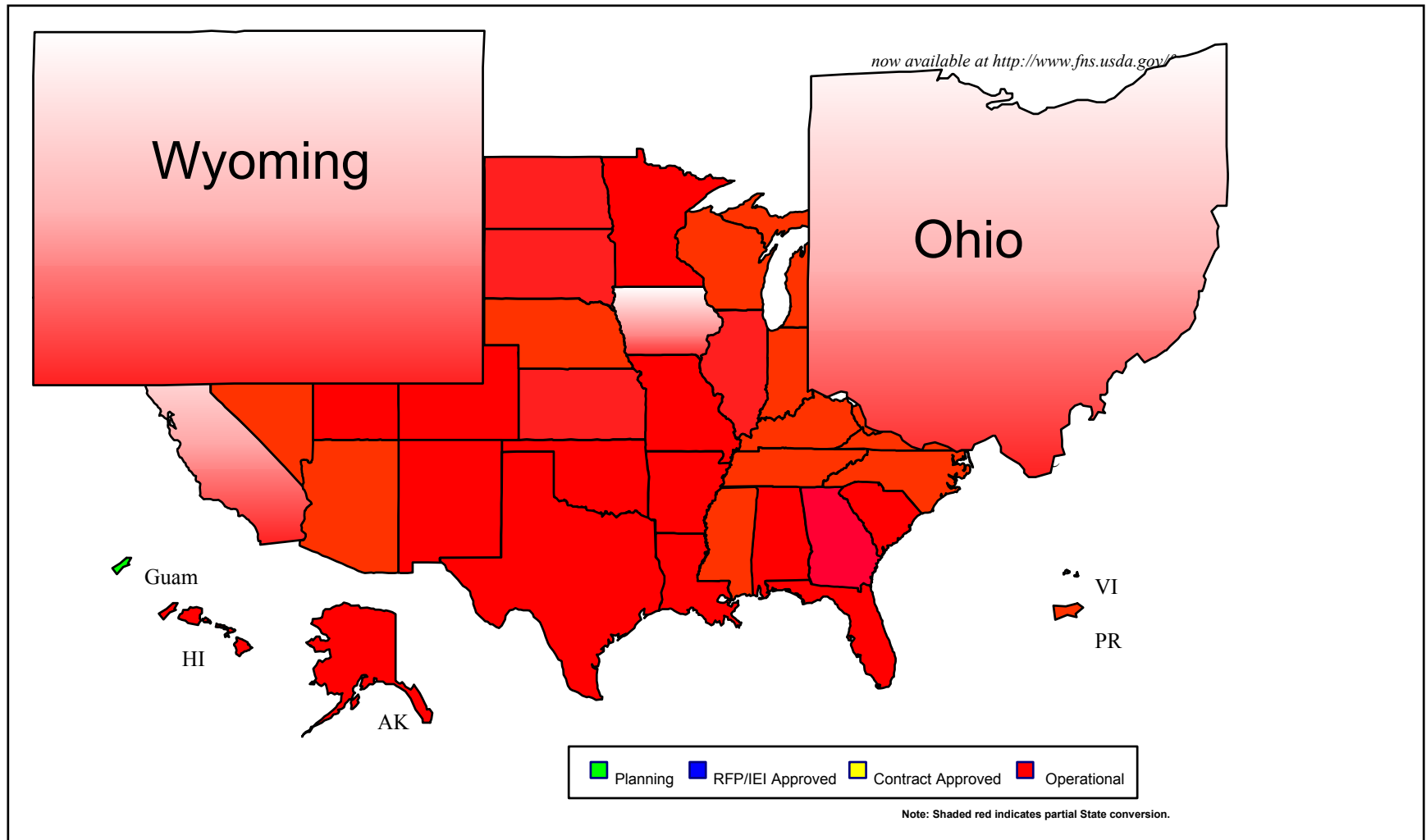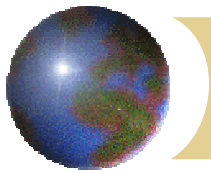
- Medicaid Eligibility
- Child Support
- Other State Cash
- WIC

# *What About Smart Cards ...*

Wyoming

Ohio

now available at http://www.fns.usda.gov/

Guam

HI

AK

VI

PR

| Planning | RFP/IEI Approved | Contract Approved | Operational |

Note: Shaded red indicates partial State conversion.

Differences from On-Line

- Benefits loaded at store(s) chosen by recipient

- Balance and PIN on the card chip

- Telecommunication not required

- Hot card file not centralized
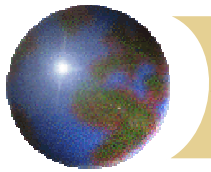
- Upload for settlement and to update card balances
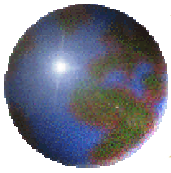
Off-line EBT

PROs

- Lots of data space on card
- Added security
- No telecom downtime

CONs

- Not adopted by commercial sector
- Cost of equipment/cards
- Load it or lose it
- No hotcard file
- Not interoperable

EBT Card Technologies in the future?

- Biometric applications may be more suited to smart cards
- WIC and health record maintenance seem to be more suited to smart card technology
- Security capabilities